

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**HB 1960**

March 12, 2014

**SUMMARY OF BILL:** Creates a scholarship program that will enable students attending, or who are zoned to attend, a school that is in the state's Achievement School District to receive a scholarship and attend a participating private school. Sets forth eligibility requirements to receive a scholarship. Requires the Department of Education (DOE) to administer the program. Sets forth eligibility requirements for participating schools. The amount of the scholarship shall be the lesser of a participating private's school tuition and fees or the required per pupil expenditure of state and local Basic Education Program (BEP) funding. Limits the number of scholarships that may be awarded in FY2014-2015 to 250. The State Board of Education (SBE) will establish the scholarship award limit in subsequent fiscal years.

**ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures - \$98,100**

**Other Fiscal Impact - Other Fiscal Impact – There will be annual shifts of state and local BEP funding from local education agencies to the non-public participating schools. An estimated \$820,300 will shift in FY14-15 and an unknown amount estimated to exceed \$820,300 will shift in FY15-16 and subsequent years.**

**Assumptions:**

- The DOE will require one new position to administer the program beginning in FY14-15. This position will require a salary of \$80,000 with benefits of \$18,144 for a total of \$98,144 (\$80,000 + \$18,144).
- Any increase in state expenditures for the SBE to set the scholarship cap is estimated to be not significant.
- The scholarship program will begin in the fall of 2014.
- The number of participating students who will participate annually is unknown; however it is estimated that a minimum of 50 percent of the cap will be filled each year, beginning in FY14-15.
- In FY14-15, an estimated 125 students will participate. It is assumed the SBE will raise the cap in FY15-16 and subsequent years.

- The estimated BEP per pupil expenditure for FY14-15 is estimated to be \$6,562 in FY14-15. The per pupil expenditure is estimated to increase in FY15-16 and subsequent years.
- In FY14-15, an estimated \$820,250 ( $\$6,562 \times 125$ ) will shift from local education agencies (LEAs) to participating schools.
- In FY15-16 and subsequent years, an amount estimated to exceed \$820,250 will shift from LEAs to participating schools.
- A majority of LEAs are currently funding their students above and beyond the BEP local match requirement. This amount varies widely by LEA, but according to DOE, the average amount that LEAs will retain is \$1,111 per pupil in FY14-15 and such amount is estimated to increase annually.
- Each year, students leave and enter LEAs. As a result, LEAs adjust expenditures, teachers, facilities, and other items to meet the change in student population.
- LEAs will be able to use retained funding from students transferring out of the ASD to offset any increase in local government expenditures.
- As the program grows, LEAs may be able to reduce local government expenditures; however, any decrease cannot be reasonably quantified.
- LEAs will not be required to pay for transportation to the participating schools.

#### **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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